

Message Text

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ORIGIN EB-07

INFO OCT-01 EUR-12 NEA-09 IO-10 ISO-00 FEA-01 AGR-05

CEA-01 CIAE-00 COME-00 DODE-00 FRB-03 H-01 INR-07

INT-05 L-02 LAB-04 NSAE-00 NSC-05 PA-01 RSC-01 AID-05

CIEP-01 SS-15 STR-01 TAR-01 TRSE-00 USIA-06 PRS-01

SP-02 OMB-01 AF-06 ARA-06 EA-06 OIC-02 /128 R

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P R 312222Z JAN 75

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TO USMISSION GENEVA PRIORITY

USMISSION EC BRUSSELS

INFO AMEMBASSY BONN

AMEMBASSY BUDAPEST

AMEMBASSY HELSINKI

AMEMBASSY PRAGUE

AMEMBASSY REYKJAVIK

AMEMBASSY SOFIA

AMEMBASSY TEL AVIV

AMEMBASSY BUCHAREST

AMEMBASSY WARSAW

AMEMBASSY BERLIN

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E.O. 11652: N/A

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TAGS: ETRD, GATT

SUBJECT: MEETING GATT COUNCIL, FEBRUARY 3
REFERENCES: (A) GENEVA 391; (B) GENEVA 299; (C) EC BRUSSELS
637; (D) GENEVA 512; (E) STATE 626; (F) GENEVA 435

FOLLOWING INSTRUCTIONS KEYED BY TOPIC TO AGENDA CITED IN
REFTEL (A).

1. EC-LEBANON WP REPORT (REF L/4131 OF 12/23/74). USREP
MAY JOIN IN ROUTINE ADOPTION OF WP REPORT WHICH CONTAINS
ACCURATE REFLECTION OF US VIEWS.

2. ADJUSTMENT OF ISRAEL'S TARIFF. PER REFTEL (B) WE CONCUR
IN MISSION RECOMMENDATION THAT USREP SUPPORT GATT COUNCIL
DECISION ALLOWING GOI TO CHANGE SPECIFIC TARIFFS BY ADJUST-
MENT PROPORTIONATE TO DEVALUATION IN ACCORDANCE WITH GATT
ARTICLE II:6(A). DECISIONS SHOULD BE SPECIFIC IN RELATING
AUTHORITY TO GOI'S LAST DEVALUATION, NOTING BOTH DATE
(11/10/74) AND PERCENT DEVALUATION (42.9 PERCENT).

3. TRIPARTITE AGREEMENT REPORT (REFS L/4132 OF 1/23/75,
GENEVA 5645 OF 10/24/73 AND STATE 207864 OF 10/19/73). US
REP MAY REPEAT BRIEFLY US RESERVATIONS RE AD HOC EXCHANGES
OF PREFERENCES. ALSO, USREP SHOULD REQUEST THAT FUTURE
REPORTS INCLUDE APPROPRIATE ADDITIONAL STATISTICS ON TRI-
PARTITE TRADE. THESE WOULD INCLUDE EXPORTS AND IMPORTS BY
TRIPARTITE MEMBERS OF PRODUCTS COVERED BY AGREEMENT BY
TOTALS AND KEY NON-MEMBER COUNTRIES (AS WELL AS TRADE
BETWEEN THE MEMBERS ON THE SAME PRODUCTS).

4. EC-TURKEY AGREEMENT. USREP SHOULD ROUTINELY NOTE REPORT
ON PRESENT STATUS OF ASSOCIATION.

5 AND 6. EC-AFRICAN AND MALAGASY STATES/EC-EAST AFRICAN
ASSOCIATION. IN VIEW EC-ACP NEGOTIATIONS THAT ARE JUST NOW
DRAWING TO A CLOSE, WE SEE NO CURRENT NEED FOR GATT COUNCIL
TO DISCUSS IN ANY DETAIL EITHER OF THESE EC ASSOCIATION
AGREEMENTS. IF OCCASION ARISES FOR DISCUSSION USREP MAY
NOTE CONTINUED US OPPOSITION TO REVERSE PREFERENCES.

7. HUNGARY WP AND ROMANIAN WP. WE CONCUR IN MISSION RECOM-
MENDATION ON FORMATION OF THESE WP'S AND PROPOSED
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CHAIRMAN. TERMS OF REFERENCE SHOULD FOLLOW LINES SET FORTH
IN THE RELEVANT PROTOCOLS OF ACCESSION, PARTICULARLY ANNEX
B, PARAGRAPH III OF THE HUNGARIAN PROTOCOL. US SHOULD BE
INCLUDED AS MEMBER IN BOTH GROUPS.

8. WP'S ON FINNISH AGREEMENTS WITH CZECHOSLOVAKIA, HUNGARY,
AND BULGARIA. AS AGREED UPON BY GLITMAN AND BRUNGART, US
REP WILL MAKE FOLLOWING STATEMENT: (BEGIN TEXT) THE US

SUPPORTS THE ESTABLISHMENT BY THE COUNCIL OF WORKING PARTIES TO EXAMINE THE BILATERAL AGREEMENTS CONCLUDED IN 1974 BETWEEN FINLAND AND CZECHOSLOVAKIA, HUNGARY AND BULGARIA. IT IS OUR HOPE THAT THIS EXAMINATION CAN PROCEED EXPEDITIOUSLY SINCE WE BELIEVE THESE AGREEMENTS RAISE QUESTIONS WHICH IT WOULD BE USEFUL TO HAVE CLARIFIED AT AN EARLY DATE. WE WILL, THEREFORE, BE PREPARED TO SUBMIT QUESTIONS REGARDING THESE AGREEMENTS PROMPTLY AND HOPE OTHERS WILL BE ABLE TO DO LIKEWISE. WE BELIEVE THE EARLY EXCHANGE OF QUESTIONS AND ANSWERS WILL HELP ENSURE THE PROMPT SCHEDULING OF THE WORKING PARTY EXAMINATIONS.

AS THE COUNCIL MEMBERS ARE AWARE, MY GOVERNMENT HAS BEEN CONCERNED FOR SOME YEARS OVER THE RESORT TO THE FREE TRADE AGREEMENT PROVISIONS OF ARTICLE XXIV TO JUSTIFY THE DISCRIMINATORY EFFECT OF BILATERAL TRADE AGREEMENTS. IN PAST EXAMINATIONS OF SUCH AGREEMENTS WE HAVE EXPRESSED OUR DOUBTS OVER THE EXTENT TO WHICH SUCH AGREEMENTS ARE CONSISTENT WITH THE SPECIFIED CRITERIA AND INTENT OF ARTICLE XXIV. WE HAVE BEEN CONCERNED OVER THE POTENTIAL IN THE IMPLEMENTATION OF THESE AGREEMENTS FOR THE CONTRACTION RATHER THAN EXPANSION OF TRADE WITH THIRD COUNTRIES.

THE BILATERAL AGREEMENTS WHICH HAVE NOW BEEN NOTIFIED TO THE GATT BY FINLAND, CZECHOSLOVAKIA AND HUNGARY WILL RAISE MANY OF THESE SAME QUESTIONS. BUT THEY WILL BE CONSIDERED IN QUITE A DIFFERENT AND UNIQUE CONTEXT SINCE IN EACH CASE

OUR EXAMINATION WILL INVOLVE COUNTRIES IN WHICH CONSIDERATIONS OTHER THAN TARIFFS AND MARKET FACTORS CAN PLAY AN IMPORTANT ROLE IN DETERMINING TRADE FLOWS.

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OF FREE TRADE AREAS WITH A VIEW TO STIMULATING TRADE AMONG MEMBERS -- AND TO LEAD TO INCREASED TRADE WITH THIRD COUNTRIES -- BY THE REMOVAL OF DUTIES AND OTHER RESTRICTIVE REGULATIONS OF COMMERCE. HOW THIS IS TO BE ACHIEVED IN THE CASE OF COUNTRIES WHERE DUTIES HAVE A NOMINAL OR AT MOST A LIMITED EFFECT ON TRADE WHILE OTHER RESTRAINTS ON COMMERCE PLAY A MORE SIGNIFICANT ROLE WILL BE A MATTER FOR THE WORKING PARTIES TO EXAMINE CAREFULLY. IN THIS RESPECT, WE BELIEVE THE WORKING PARTIES SHOULD EXAMINE THE NATURE AND EXTENT OF DISCRIMINATION INVOLVED IN THESE AGREEMENTS AGAINST NON-PARTICIPANTS. ALTHOUGH WE WILL PARTICIPATE IN THE WORKING PARTIES WITH AN OPEN MIND, WE WOULD LIKE TO TAKE THIS OPPORTUNITY TO EXPRESS OUR DOUBT THAT THE CRITERIA AND INTENT OF ARTICLE XXIV CAN BE MET BY AGREEMENTS BETWEEN MARKET AND NON-MARKET ECONOMY COUNTRIES WHICH ESSENTIALLY

DEAL ONLY WITH THE REMOVAL OF DUTIES. (END OF TEXT)

AS SUGGESTED IN REFTEL (C), EC BRUSSELS MAY SHOW COUNCIL STATEMENT TO EC BEFORE COUNCIL MEETING.

9. BALANCE OF PAYMENTS CONSULTATIONS. USREP SHOULD APPROVE ROUTINELY.

10. NEW SALARY SCALES. SEPARATE INSTRUCTIONS FOLLOW FOR BUDGET MEETING FEBRUARY 4.

11. ICELAND-FRG DISPUTE. THIS CONTROVERSY STEMS FROM BILATERAL DISPUTE REGARDING ICELAND'S UNILATERAL CLAIM TO 50-MILE FISHERIES JURISDICTION AND FRG'S REFUSAL TO RECOGNIZE CLAIM AS VALID UNDER INTERNATIONAL LAW. (USG ALSO DOES NOT ACCEPT ICELAND'S UNILATERAL CLAIM.) FRG'S CONTINUED ASSERTION OF RIGHT TO FISH IN PART OF CLAIMED AREA HAS LED TO SEIZURES OF GERMAN TRAWLERS. BILATERAL NEGOTIATIONS HAVE DONE LITTLE TO RESOLVE DIFFERENCES. US REP SHOULD TAKE POSITION THAT MATTER ICELAND WISHES COUNCIL TO DISCUSS IS ONLY ONE MANIFESTATION OF FUNDAMENTAL JURIDICAL AND POLITICAL PROBLEM BETWEEN IT AND FRG AND OTHER COUNTRIES WHICH IS BEING DEALT WITH BROADLY BY UN LAW OF THE SEA CONFERENCE. IT WOULD ACCORDINGLY BE BEYOND GATT COUNCIL'S PRACTICAL IF NOT LEGAL COMPETENCE TO CONSIDER ISSUE.

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12. CONSULTATIVE GROUP ON MEAT. CONCUR FULLY IN POSITIONS SUGGESTED REFTEL (D). NO UPDATING OF REFTEL (E) REQUIRED EXCEPT FOR CHANGING FIRST SENTENCE OF ANSWER TO SECOND QUESTION TO READ "WE HAVE NOT YET RECEIVED DEFINITIVE REACTIONS FROM ALL COUNTRIES".

13. US OIL TARIFF. IN REPLY TO REFTEL (F), OIL FEES ARE PART OF COMPREHENSIVE US ENERGY PROGRAM WITH TRADE MEASURES BEING IMPLEMENTED BY PRESIDENT UNDER NATIONAL SECURITY PROVISIONS OF TRADE EXPANSION ACT. MISSION SHOULD DISCOURAGE ISSUE FROM BEING BROUGHT UP IN COUNCIL, STRESSING GREAT SENSITIVITY OF MATTER AND INAPPROPRIATENESS OF BRINGING UP ISSUE IN GATT. IF NONETHELESS US OIL ACTIONS RAISED AT COUNCIL, USREP SHOULD TRANSMIT INQUIRIES TO WASHINGTON.

FYI. TARIFF ON CRUDE OIL NOT BOUND IN GATT. RATE IS BOUND TO VENEZUELA AND THROUGH MFN TREATMENT IS EXTENDED TO OTHERS BUT TARIFF ON CRUDE IS NOT INCLUDED IN US GATT SCHEDULES. CERTAIN OTHER PETROLEUM PRODUCTS AFFECTED BY FEES ARE BOUND. END FYI. KISSINGER

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